

Message Text

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ACTION AF-06

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FM AMEMBASSY KHARTOUM

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E.O. 11652: N/A

TAGS: EFIN, SU, US

SUBJECT: KH CEMENT PLANT PROJECT

REF: KHARTOUM 0381

BEGIN SUMMARY. FOLLOWING DETAILED DISCUSSION, CEMENT SCHEME WITH AMBASSADOR, MININDUSTRY HAS GIVEN RENEWED ASSURANCE THAT OPIC PARTICIPATION WELCOME AND THAT PROJECT CAN PROCEED

ESSENTIALLY AS ORIGINALLY PLANNED. HOWEVER, MINISTER MADE CLEAR HIS VIEW THAT GOS SHOULD GIVE NO SPECIAL SUPPORT TO KH EFFORT OBTAIN ADDITIONAL FINANCING FROM AIC.

WHILE RECENT DIFFICULTIES KH HAS HAD WITH GOS APPEAR VARIOUS, OUTLOOK FOR SCHEME STILL MARRED BY UNCERTAINTIES IN

FINANCING. END SUMMARY.

1. CULMINATING SERIES URGENT MEETINGS LAST FEW DAYS, MININDUSTRY SULIMAN SUMMONED AMBASSADOR FEB 9 FOR EXTENDED REVIEW KH CEMENT PLANT PROJECT. SULIMAN SAID HE WAS PUZZLED AT RENEWED MANIFESTATION TRIAD INTEREST (REFTEL). KH HAD NOW WRITTEN HIM THAT TRIAD NO LONGER INVOLVED. VIEW USG CONNECTION WITH SCHEME VIA OPIC, SULIMAN REQUESTED AMBASSADOR'S CONFIRMATION. AMBASSADOR ASSURED SULIMAN THAT TRIAD HAD WITHDRAWN FROM SCHEME SIX MONTHS AGO AS CONDITION OF OPIC SUPPORT. REVIEW OTHER ASPECTS CEMENT SCHEME SUMMARIZED

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UNDER FOLLOWING HEADINGS.

2. OPIC PARTICIPATION: MINISTER PLEASED WITH OPIC SUPPORT OF SCHEME, UNDERSTANDS CONVERTIBLE DEBENTURE APPROACH AND STATED THERE WOULD BE NO OBJECTION TO OPIC SALE SUCH INSTRUMENTS TO PRIVATE INVESTORS AS PLANNED.

3. LOCAL STOCKHOLDERS: SULIMAN GAVE "PERSONAL VIEW" THAT KH SHOULD NOT SEEK LOCAL STOCKHOLDERS FOR PRESENT DUE TO SCHEME'S RECENT NOTORIETY. AMBASSADOR REPLIED THAT OPIC STRONGLY PREFERRED SUCH LOCAL PARTICIPATION IN SCHEMES IN WHICH IT WAS PARTICIPATING. WE HAD BEEN CONCERNED THAT MININDUSTY'S LETTER DATED JAN 11 (KHARTOUM 265) HAD APPEARED CALL THIS INTO QUESTION. SULIMAN HASTILY SAID HE WAS "WITHDRAWING" LETTER. HE GAVE ASSURANCE HE WOULD BE PREPARED TO SEE PRIVATE SUDANESE INVESTORS PARTICIPATE PROVIDED THIS DONE ON BASIS "FULL DISCLOSURE" ALL FACTS BY KH. THIS MUST INCLUDE FACT THAT PORTION EQUIPMENT IS 35 YEARS OLD AND THAT TRIAD MIGHT BE FOUND TO BE DUE SOME COMPENSATION FOR EXPENSES. MINISTER OPINED NO SUDANESE WOULD INVEST ON SUCH BASIS.

4. GOS SUPPORT VIS-A-VIS AID: IN RESPONSE QUERY RE STATUS THIS ASPECT SCHEME, SULIMAN EXPLAINED GOS ALREADY HEAVILY INVOLVED IN NUMBER PROJECTS (E.G. KENANA AND MELUT SUGAR SCHEMES) WHICH ARE NOW FOUND TO REQUIRE MORE CAPITAL IN ORDER BE REALIZED. EVEN THOUGH SUDAN ON AIC BOARD, LATTER HAD ONLY AUTHORIZED AIC INVESTMENT OF \$15 MILLION IN KENANA. GOS WOULD NOT CONTINUALLY GO TO OUTSIDE LENDING AGENCIES WITH REPEATED APPEALS FOR PRIORITY FOR ADDITIONAL SCHEMES.

5. PRICE: SULIMAN SAID KH NOW RECONSIDERING THIS ISSUE SO IT PRESENTED NO PRESENT PROBLEM.

6. CONTACTS WITH KH: AT CONCLUSION DISCUSSION, MINISTER SAID HE NOW UNDERSTOOD THAT TRIAD IS REALLY OUT OF SCHEME. HE WOULD DEAL HENCEFORTH ONLY WITH KH. AMBASSADOR WAS ASKED TO ASSURE KINARD AND HONEY THAT MINISTER IS AVAILABLE TO SEE THEM AT ANY TIME.

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7. COMMENT. HAVING FIRST RAISED SUBSTANTIAL DIFFICULTIES FOR KH BY SHOOTING FROM HIP, SULIMAN NOW APPARENTLY IS PREPARED TO GO ALONG WITH PROJECT AS ORIGINALLY PLANNED. "FULL DISCLOSURE" REQUIRED IN CONNECTION WITH STOCK OFFERING IS APPARENTLY GIMMICK TO SAVE SULIMAN'S FACE WHICH KH SAYS WILL GIVE THEM NO TROUBLE WITH POTENTIAL LOCAL INVESTORS. HOPE SPRINGS ETERNAL IN KH BREAST THAT GOS WILL ACTIVELY SUPPORT SCHEME WITH AIC BOARD. SULIMAN'S LATEST AND LEAST

CONTENTIOUS CONVERSATION, HOWEVER, STILL SUGGESTS GOS
IS UNPREPARED GO BEYOND REMOVING DOMESTIC ROADBLOCKS.

8. SUBSTANCE GIEGOIND DISCUSSED WITH KH REPS WHO
EXPRESSED APPRECIATION EMBASSY'S EFFORTS. THEY INDICATED
THEY WILL FOLLOW UP WITH SULIMAN, WHILE CONTINUING DO ALL
THEY CAN STIMULATE GOS SUPPORT VIS-A-VIS AIC. AT SAME TIME,
THEY SAID THEY WOULD PURSUE "PROMISING" ALTERNATIVE FINANC-
ING ARRANGEMENTS WITH POSSIBLE BANKS IN US AND FRANCE.
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